

Western, on numerous occasions, has raised its concern to the ISO about the excessive Imbalance Energy Offset charge (Charge code 6477). The rate for this charge code has varied extensively between a credit of \$53 (April 22, on a 10 minute period of 0040 to 0050) to a charge of \$140/MWh (May 30, 2009 during all 10 minute intervals of HE 7). This level of magnitude and variation is unreasonably excessive for a neutrality type charge code. Western appreciates that ISO's Department of Market & Infrastructure Development has undertaken the analysis to determine the causes attributed to these extreme Offset charges and to offer options for mitigating the impact of the cost shifts associated with the current allocation of the Offset charge.

While Western urges the ISO to take actions to reduce the overall magnitude of the neutrality related charges including charge code 6477, Western supports using a two-tier approach to allocate the Offset charge. Since according to the ISO's investigation, over-scheduled load has been the main driver for the extreme Offset charges, it makes sense to allocate Tier 1 to over-scheduled load (and under-scheduled generation) and allocate tier 2 to measured demand. Western also supports further investigation by the ISO to identify and mitigate factors causing significant differences between the HASP and RTD LMPs.

Western supports using 10 minute load data (obtained from the state estimator) to calculate the Imbalance Energy Offset charge as well as the UFE. To reduce cost shifts, it is logical to use 10 minute load meter data for the charges that are settled on a 10 minute basis rather than simply using hourly metered load data and dividing them by six. Otherwise, cost shifts will result and as the issue paper has shown, about 20-30% of the Offset charges have been due to the averaging effect of using hourly metered load data. Therefore, to reduce cost shifts and to improve the accuracy of both the Offset charge and the UFE, it makes sense to apply the actual 10 minute load data in the calculations of both of these charges.

Western does not support settling HASP intertie transactions at the RTD price since bid cost recovery measures do not apply to export schedules.

The last option, as outlined in the issue paper is to leave the Offset charge as is and not making any changes. As the actual MRTU results for the Offset charge show and articulated in the ISO's issue paper, this is not an acceptable option. Western, therefore, urges the ISO to take immediate actions to redesign the Offset charge in line with cost causation.